



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARLAN COUNTY
SHERIFF'S SETTLEMENT - 1997 TAXES
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES**

December 14, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
HARLAN COUNTY
SHERIFF'S SETTLEMENT-1997 TAXES

Audit Opinion

We have issued an unqualified (clean) opinion on the financial statement.

Findings

There were no significant findings reported for the tax year.

Compliance

There were no noncompliances reported for the tax year.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the Harlan County Sheriff's Settlement - 1997 Taxes as of December 14, 1998 and the Sheriff's Settlement - 1997 Unmined Coal Taxes as of December 14, 1998. These tax settlements are the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Harlan County Sheriff's taxes charged, credited, and paid as of December 14, 1998, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Joseph A. Grieshop, Harlan County Judge/Executive

Honorable Steve Duff, Harlan County Sheriff

Members of the Harlan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated April 14, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

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Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
April 14, 2000

HARLAN COUNTY
STEVE DUFF, SHERIFF
SHERIFF'S SETTLEMENT - 1997 TAXES

December 14, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 739,967	\$ 400,453	\$ 1,421,883	\$ 683,686
Tangible Personal Property	232,427	124,694	370,433	397,119
Intangible Personal Property				76,185
Fire Protection	7,342			
Franchise Corporation	128,333	68,954	204,036	
Prior Year Franchise	2,392	1,305	4,276	
Bank Shares	42,006			
Omitted Taxes	16,095	8,804	29,964	16,060
Increased Through Erroneous Assessments	1,207	653	2,777	1,115
Penalties	12,745	6,894	23,307	12,406
Adjusted to Sheriff's Receipt	4	38		8
Gross Chargeable to Sheriff	<u>\$ 1,182,518</u>	<u>\$ 611,795</u>	<u>\$ 2,056,676</u>	<u>\$ 1,186,579</u>
<u>Credits</u>				
Discounts	\$ 12,039	\$ 5,996	\$ 19,975	\$ 13,023
Exonerations	11,120	6,036	24,678	11,559
Delinquents:				
Real Estate	57,732	31,243	116,739	53,317
Tangible Personal Property	3,041	1,516	4,357	5,594
Prior Year Delinquents	612	336	1,353	621
Uncollected Franchise Corporation	1,061	589	1,852	
Total Credits	<u>\$ 85,605</u>	<u>\$ 45,716</u>	<u>\$ 168,954</u>	<u>\$ 84,114</u>
Net Tax Yield	\$ 1,096,913	\$ 566,079	\$ 1,887,722	\$ 1,102,465
Less: Commissions *	<u>46,906</u>	<u>24,058</u>	<u>75,509</u>	<u>47,142</u>
Net Taxes Due	\$ 1,050,007	\$ 542,021	\$ 1,812,213	\$ 1,055,323
Taxes Paid	1,049,461	541,703	1,812,962	1,054,989
Refunds (Current and Prior Year)	<u>389</u>	<u>209</u>	<u>127</u>	<u>423</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 157</u>	<u>\$ 109</u>	<u>\$ (876)</u>	<u>\$ (89)</u>

* and ** See Page 3

HARLAN COUNTY
STEVE DUFF, SHERIFF
SHERIFF'S SETTLEMENT - 1997 TAXES
December 14, 1998
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,755,457
4% on	\$	1,887,722

** Special Taxing Districts:

Library District	\$	49
Health District		34
Extension District		29
Soil District		<u>(3)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u>109</u>
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The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
STEVE DUFF, SHERIFF
SHERIFF'S SETTLEMENT - 1997 UNMINED COAL TAXES

December 14, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 195,740	\$ 105,930	\$ 450,202	\$ 180,772
Supplementals	41,637	20,053	92,506	45,613
Penalties and Interest				3,085
Pre-Charged Penalties	11,661	5,662	25,445	13,405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross Chargeable to Sheriff	\$ 249,038	\$ 131,645	\$ 568,153	\$ 242,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Credits</u>				
Discounts	\$ 1,254	\$ 678	\$ 2,884	\$ 1,158
Penalties	2,856	1,476	6,221	7,865
Delinquents	1,870	1,012	4,302	1,727
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Credits	\$ 5,980	\$ 3,166	\$ 13,407	\$ 10,750
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Tax Yield	\$ 243,058	\$ 128,479	\$ 554,746	\$ 232,125
Less: Commissions *	10,330	5,460	22,190	9,865
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Taxes Due	\$ 232,728	\$ 123,019	\$ 532,556	\$ 222,260
Taxes Paid	232,728	123,067	532,556	223,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(Refunds Due Sheriff)		**		
as of Completion of Fieldwork	\$ 0	\$ (48)	\$ 0	\$ (1,088)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Commissions:

4.25% on \$ 603,662
4% on \$ 554,746

** Special Taxing Districts:

Library District \$ (7)
Extension District (41)

(Refunds Due Sheriff)

\$ (48)

The accompanying notes are an integral part of the financial statements.

HARLAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 14, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of December 14, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

HARLAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 14, 1998
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1997. Property taxes were billed to finance governmental services for the year ended June 30, 1998. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 19, 1998 through November 20, 1998.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 23, 1998 through November 20, 1998.

Note 4. Interest Income

The Harlan County Sheriff earned \$9,002 as interest income on 1997 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Sheriff's Settlement - 1997 Taxes as of December 14, 1998, and Sheriff's Settlement - 1997 Unmined Coal Taxes as of December 14, 1998, and have issued our report thereon dated April 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Joseph A. Grieshop, Harlan County Judge/Executive
Honorable Steve Duff, Harlan County Sheriff
Members of the Harlan County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 14, 2000

